



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

Revised Attachment

WILLIAM T FUJIOKA
Chief Executive Officer

August 8, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

USAGE OF TOBACCO SETTLEMENT FUNDS

On June 16, 2008, Supervisor Antonovich requested an accounting of the usage of Tobacco Settlement funds. A memo and schedule that detailed actual and estimated Tobacco Settlement funds received and expended for fiscal years 2005-06 to 2008-09 was sent to your offices on July 14, 2008.

This is to provide your Board with a revised schedule to clarify amounts relative to actions taken by your Board regarding the proposed use of Tobacco Settlement funds for the Public-Private Partnership (PPP) program. Please see the revised attachment, particularly footnote (16), for additional information. This Office continues to work with the Department of Health Services to evaluate the potential use of the one-time Tobacco Settlement funds for the PPP program and will return to your Board with more information prior to the Supplemental Budget discussions.

If you have any questions or need additional information, please contact me or your staff may contact Mason Matthews at (213) 974-2395, or at mmatthews@ceo.lacounty.gov.

WTF:SRH:SAS
MLM:MM:JT:yb

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Acting Auditor-Controller
Interim Director, Department of Health Services
Director and Health Officer, Department of Public Health

Tobacco Settlement Request_mbs

"To Enrich Lives Through Effective And Caring Service"

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**LOS ANGELES COUNTY
TOBACCO SETTLEMENT FUNDING SUMMARY**

Revised Attachment

	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
	(\$ in millions)			
BEGINNING BALANCE	\$301.0	\$287.4	\$232.8	\$228.2
<u>SOURCES</u>				
Tobacco Settlement Funds ⁽¹⁾	94.4	98.8	105.2	104.7
Interest Earned ⁽²⁾	2.0	8.8	8.6	7.0
Total Sources	\$96.4	\$107.6	\$113.8	\$111.7
<u>USES</u>				
1115 Waiver - Department of Health Services (DHS) ⁽³⁾	(60.0)	(50.7)	(50.7)	(50.7)
1115 Waiver - Department of Public Health (DPH) ⁽³⁾	-	(9.3)	(9.3)	(9.3)
Ambulatory Care ⁽⁴⁾	(15.5)	(15.5)	(15.5)	(15.5)
Capital Projects ⁽⁵⁾	(18.3)	(6.0)	-	-
Workforce Development Program ⁽⁶⁾	(6.0)	-	-	-
Fixed Assets ⁽⁷⁾	(3.6)	-	-	-
Public Health Needle Exchange Program - DPH ⁽⁸⁾	-	-	(0.5)	(0.5)
LAC+USC Psychiatric Unit Conversion to an Acute Care Unit ⁽⁹⁾	(6.6)	-	-	-
CEO Capital Projects ⁽¹⁰⁾	-	(60.0)	-	-
Computed Tomography Scanners ⁽¹¹⁾	-	(20.7)	(3.0)	(0.4)
LAC+USC Transition Capital Projects ⁽¹²⁾	-	-	(0.2)	(24.9)
Managed Care Inter-Governmental Transfer (IGT) ⁽¹³⁾	-	-	(39.2)	-
South LA Medical Services Preservation Fund IGT ⁽¹⁴⁾	-	-	-	(5.0)
Smoking Cessation Program - DPH ⁽¹⁵⁾	-	-	-	(2.6)
One-time funds to address DHS 2008-09 budget deficit ⁽¹⁶⁾	-	-	-	(41.6)
One-time funds for PPP Capital Infrastructure and capacity development in under equity areas throughout the County ⁽¹⁶⁾	-	-	-	(3.2)
Total Uses	(\$110.0)	(\$162.2)	(\$118.4)	(\$153.7)
ENDING BALANCE	\$287.4	\$232.8	\$228.2	\$186.2

Footnotes:

- (1) Reflects final actuals for Fiscal Years (FY) 2005-06, 2006-07, and 2007-08 and estimate for FY 2008-09 per the State's website dated July 2005. The Tobacco Settlement funds received and estimated to be received reflect a reduction as a result of a few participating tobacco companies that began withholding payments from FY 2005-06. The basis for the withholds was a provision in the Master Settlement Agreement that participating tobacco companies are eligible for a payment reduction if their market share falls two percent below its 1997 market share because the State had not enforced a statute to prevent a competitive disadvantage for the participating companies. However, the State of California filed legal action in 2006 against these participating tobacco companies that withheld Tobacco Settlement payments, challenging that the laws and regulations governing non-participating tobacco companies were diligently enforced by the State. Hearings are expected to begin in 2009.
- (2) Totals for FYs 2005-06 and 2006-07 are based on actual interest earned. The totals for FY 2007-08 and 2008-09 are estimates using the prior year actual interest rate (3.9%) times the estimated remaining balance.
- (3) Reflects the Board's \$60.0 million annual amount associated with the 1115 Waiver commitment and the Tobacco Spending Plan. Funds cannot be spent until the Board has approved appropriation into the Department's operating budget. When DPH was formed on July 6, 2006, it was allocated \$9.3 million and DHS was allocated \$50.7 million effective FY 2006-07 and forward, based on the existing distribution of the funds for the respective budgets.
- (4) Reflects funding for an 11% Public-Private Partnership/General Relief (PPP/GR) rate increase (\$5.1 million) and a PPP/GR Pharmacy Supplemental rate increase (\$10.4 million) which totals \$15.5 million, as reflected in the Tobacco Settlement Spending Plan approved by the Board on October 31, 2000.

**LOS ANGELES COUNTY
TOBACCO SETTLEMENT FUNDING SUMMARY**

Footnotes (cont.):

- (5) In FY 2005-06 and FY 2006-07, Tobacco Settlement funding of \$18.1 million and \$2.6 million support the Harbor-UCLA Medical Center Surgery/Emergency Room Project and \$0.2 million and \$3.4 million support the High Desert MACC Project, respectively.
- (6) FY 2006-07 funding for the Workforce Development Program of \$1.0 million in the FY 2006-07 Final Budget and \$1.5 million approved by the Board on December 12, 2006 for a total of \$2.5 million, however, it was not needed due to the receipt of funds from the State of California.
- (7) Reflects one-time equipment purchases for Coastal of \$2.3 million, AVA of \$0.1 million and SF of \$1.2 million.
- (8) Reflects the use of \$0.5 million to support Phase I of the Needle Exchange Program per Board approval on August 2, 2005. This funding is included in the DPH Adopted Budget for FY 2007-08 along with the corresponding appropriation.
- (9) Reflects the use of \$6.6 million to fund the conversion of 24 psychiatric beds to acute beds in the LAC+USC Replacement Facility per Board approval on April 11, 2006.
- (10) Per Board letter dated February 13, 2007, approved a budget adjustment to transfer \$60.0 million to the LAC+USC Replacement Capital Project No. 70787.
- (11) Reflects \$24.1 million in funding for Computed Tomography Scanners for Harbor-UCLA - \$4.7 million, MLK-Harbor - \$4.6 million, RLA - \$1.5 million, OVMC - \$4.6 million, HDHS - \$1.5 million, and \$7.2 million for the related Capital Projects. Amount updated from the Final Budget amount of \$28.3 million to reflect reduced costs per the final bids received by ISD.
- (12) This is for projects required during the transition of the LAC+USC Replacement Project, including improvements to Central Plant, Service Tunnel, Pedestrian Circulation Improvements, Gift Shop/Coffee Shop Build out, and Secondary MPOE for New Facility.
- (13) Intended as the Managed Care Rate Supplement IGT, however when the total amount of the Managed Care Rate Supplement was approved at a lower amount than projected, these funds were used to offset a portion of the revenue shortfall.
- (14) Reflects an IGT payment to the State to draw down federal funds for medical services at impacted South Los Angeles hospitals for FY 2008-09 and FY 2009-10 or up to when MLK-Harbor hospital is open.
- (15) One time funds for the Department of Public Health's smoking cessation program in FY 2008-09.
- (16) At the 4/22/08 Board meeting, Supervisor Molina made a motion, amended by Supervisor Yaroslavsky, that the CEO report back on the following: 1) The prospect of redirecting the \$40 million of Tobacco Designation funds that are in the Department of Health Services budget as a placeholder to the PPP contracts to be implemented as part of a multi-year expansion project over the next 3 to 5 years; 2) The potential utilization of the \$4.8 million out of the remaining Tobacco Designation funds to be earmarked for one-time capital infrastructure for the Los Angeles County PPP's; and 3) How the funds could be invested to enhance the County's PPP network.

At the 6/17/08 Board meeting, on motion by Supervisor Molina, in relation to the \$3.2 million reflected in the Chief Executive Officer's Final Changes recommendations, the Board earmarked \$3.2 million in the Adopted Budget to support infrastructure and development of PPP clinics in under equity areas throughout Los Angeles County.